



# Ready for Retirement

Presented by  
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Massachusetts Teachers' Retirement System

FALL 2010

# Overview

Timely notes and important updates

## **Part 1      Pre-retirement issues**

What you need to do and consider before you retire

## **Part 2      The application process**

A step-by-step walk-through of the process, so that you know what to do and to expect—and when

## **Part 3      Other retirement issues**

Other topics you need to be aware of as you approach retirement

Q&A



First and foremost—

## The economy, the MTRS plan and your benefits

- The MTRS is a defined benefit plan under Section 401(a) of the Internal Revenue Code
- Your benefit is determined according to a set formula, and paid monthly for life
- Fluctuations in the financial markets do **not** affect the amount of your benefits; the pension fund is invested in a well diversified portfolio, with a focus on long-term returns





Recent changes in the pension law—

## **“Pension Reform I and II”**

### **Effective July 1, 2009**

- Changed the definition of **regular compensation** to exclude fringe benefits (grandfather provision may apply)
- Mandated the **direct deposit** of pension benefits for new retirees
- Eliminated service purchases for uncompensated school committee, selectman, and library trustee service

### **Effective January 1, 2010**

- Changed the retirement calculation method for **“dual members”**



# **“Pension Reform I and II”**

Continued

## **Effective July 1, 2010**

- Increased interest on refunds to members who resign voluntarily with less than 10 years

## **Effective January 1, 2011**

- Requires allocation of retiree health insurance costs between former employers
- Increases benefits to widows of certain disabled retirees
- Implements pension cap for new members:  
Limits “regular compensation” to 64% of the  
“non-grandfathered” I.R.C. s. 401(a)(17) limit;  
2010:  $64\% \times \$245,000 = \$156,800^*$

\* Limit will change as the 401(a)(17) limit changes



## True or False...?

**In order to retire, all I need to do is submit a letter of resignation to my school district. My district will handle all the paperwork with the MTRS.**

**False!**

**To receive an MTRS pension, YOU MUST APPLY for a retirement benefit.**

**You** must complete the MTRS application form and submit the required documentation.

While your payroll administrator will need to complete Part 2, it is **your responsibility** to complete the application process.

## First, know the eligibility criteria

Two retirement plans under the MTRS, each with different eligibility criteria:

- **“Regular”**

- Any age, with **20 years** of creditable service, OR
- **Age 55** with **10 years** of creditable service

- **RetirementPlus**

- Any age, with **30 years** of creditable service, at least **20 years** of which must be “teaching” service with the MTRS or Boston Retirement System



## Second, complete your service purchases NOW

- If you have rendered past creditable service that is eligible for purchase (see handout for list), investigate the benefit and cost of purchasing it **NOW**, if you haven't already
- **All service purchases must be paid in full prior to your date of retirement—remember:**
  - Certain types of creditable service must be purchased while you are still an active member
  - Rollovers and trust-to-trust transfers take time—start now
  - Late payments will postpone your date of retirement and delay your first retirement check



## **Third, understand that not all earnings qualify as regular compensation...**

### **Included:**

- Annual base salary per collective bargaining agreement (CBA) or individual contract
- Regular longevity
- Coaching
- Annual payments for additional services pursuant to CBA

### **Excluded:**

- Amounts paid due to employer's knowledge of retirement
- Sick leave buy-back
- Unused vacation
- Hourly payments
- Temporary salary augmentations
- Annuities and fringe benefits\*

\* Except as grandfathered under the Pension Reform Act



The Pension Reform Act

## “Regular compensation”

- Effective July 1, 2009, housing allowances, employer-paid individual **L**ife and **D**isability insurance premiums and **A**nnuities (“LDAs”) are no longer regular compensation
- LDA provisions that were in a contract in effect on May 1, 2009 will be “grandfathered” as regular compensation until the expiration of the term of *that* contract, or June 30, 2012, whichever occurs first
- Parties cannot extend the “grandfather” period by amending the term of the contract in effect on May 1, 2009 to go beyond its original expiration date



Regular compensation “grandfathering”

## Example: Ann Administrator

Ann’s contract in effect on May 1, 2009 includes life and disability insurance, as well as an annuity. This contract covers the term 7/1/08 to 6/30/11.

**Q1** Is Ann’s LDA “grandfathered” as regular compensation through 6/30/11?

**YES**, up to the amounts specified in the contract in effect on May 1, 2009



**Q2** Can Ann extend her contract so that her LDA will be “grandfathered” as regular compensation through 6/30/12?

**NO**, Ann’s LDA is only “grandfathered” until 6/30/11, the expiration date of the contract in effect on May 1, 2009





## Fourth, understand the benefit calculation formula

- Age factor** based on your age at retirement
- x Your number of years of **creditable service**
- Allowed percentage of salary average
- + **RetirementPlus** percentage, if applicable
- Allowable percentage of salary average (80% max)
- x **Salary average** (highest three consecutive years)
- Your Option A annual allowance subtotal
- + **Veteran's bonus**, if applicable  
(\$15 per year of creditable service, up to \$300)
- Your Option A annual allowance total**





## Fifth, consider the three benefit options

Option	Retiree benefit amount	Survivor benefit, if any, upon retiree's death
<b>A</b>	Maximum allowance	None
<b>B</b>	Appr. 1% less than Option A amount	One-time lump-sum payment payment of balance, if any, remaining in retiree's account; no restrictions on beneficiary designation
<b>C</b>	Appr. 9–11% less than Option A amount	Monthly benefit, equal to 2/3 of retiree's benefit, to one named beneficiary (restrictions apply); pop-up provision

## Sixth, plan for your health insurance coverage

Avoid surprises—  
a year **BEFORE** your date of retirement...

- Contact your appropriate insurance coordinator...
  - if **in** Retired Municipal Teachers' (RMT) Program (see list): Group Insurance Commission
  - if **not** in RMT: Local insurance coordinator; also applies if district participating in "GIC Municipality Program"
- If you qualify for Medicare, ask how your school district insurance will supplement your Medicare
- Understand survivor health insurance benefits—Do they exist? What are the costs?
- Arrange to have premiums withheld from your retirement check

Avoid penalties—**BEFORE** your 65th birthday...  
contact the SSA to determine your eligibility for Medicare and when you need to apply for Part B



## Myth or fact...?

**When I retire, the beneficiary I had designated while active will automatically continue to be my beneficiary as a retiree.**

**Myth!**

**Fact: Your “active member” beneficiary designation ceases upon your retirement.**

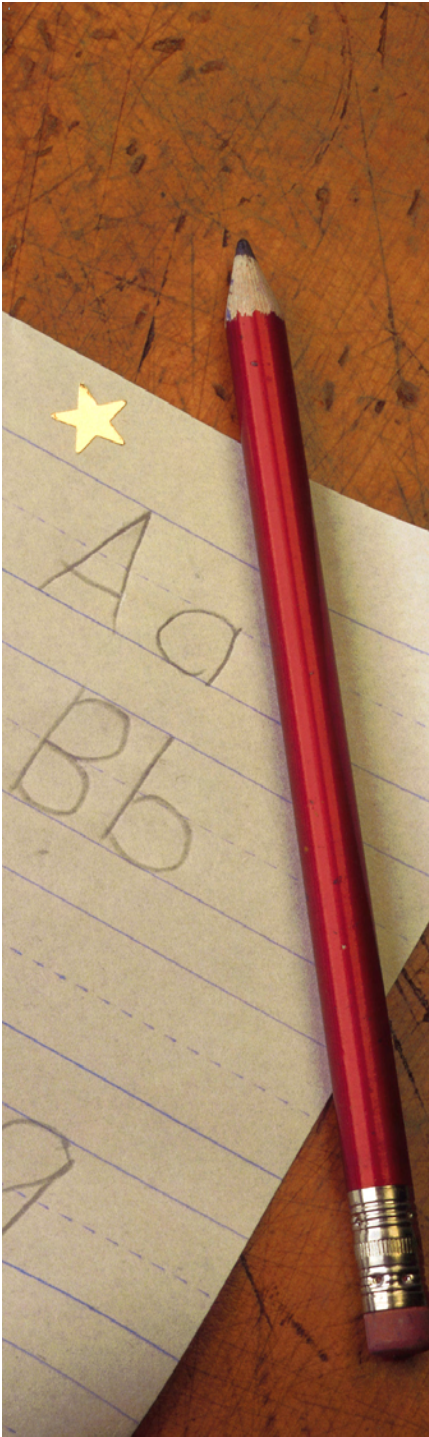
If you retire under Option B or C, you will need to name your beneficiary (or beneficiaries) on your retirement application. Option A does not provide survivor benefits.

## Five basic steps...

What you need to do...

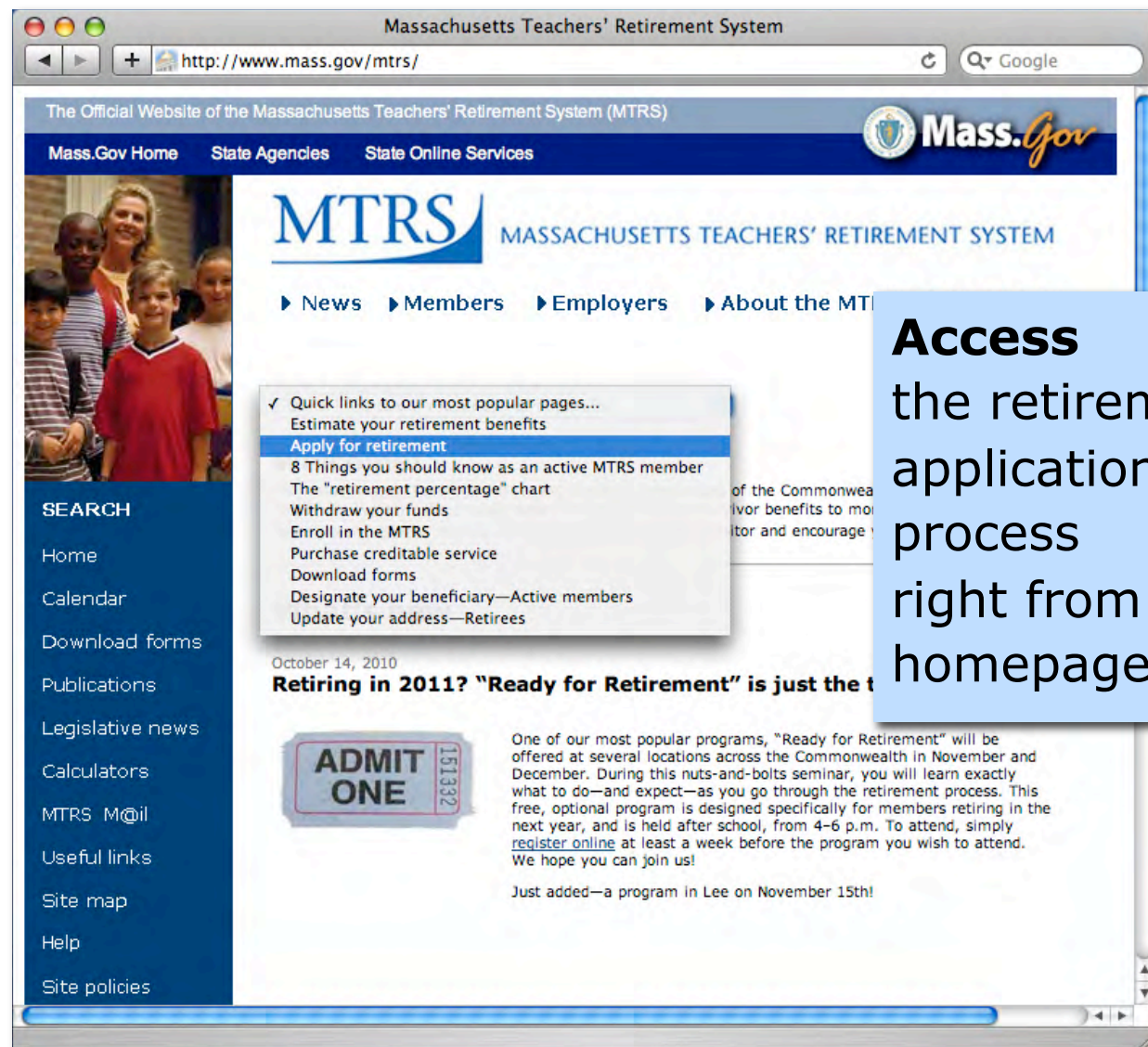
When, relative to retirement date...

- 1. Go online** to the MTRS website and **estimate** your benefit, **review** general issues and **download** the two-part Retirement Application 6 months before
- 2. Complete** Part 1, gather your required documents, and **give** Part 2 to your payroll official for completion 5 months before
- 3. Receive** Part 2 from your payroll official and **submit** your application to MTRS 3–4 months before
- 4. Receive** your *Notice of Estimated Retirement Benefits* from MTRS About 1 month before
- 5. Receive** your first retirement check! Second full month after





# Step 1: Go online and...



**Access**  
the retirement  
application  
process  
right from our  
homepage

## ...Estimate your retirement benefit using the interactive estimator



Click "Estimate your retirement benefits" to go to the four-page estimator...

**Estimating your MTRS retirement benefits**

A step-by-step interactive guide for estimating superannuation (regular or RetirementPlus)

Step 1: Read this disclaimer

Please note:

- This four-step estimator is provided as a benefit calculation formula, and is not estimating your benefits in different ways.
- This estimator will not produce actual results.

Step 2: Understand the retirement basics

Eligibility

You are eligible to receive a regular (also known as "superannuation") retirement benefit if you have at least 10 years of creditable service.

Step 3: Enter your information

Remember—this tool is to provide you purposes of this estimator, please enter creditable service (Lines 5 and 6) and actual service and salary figures when until after we have received and review. An asterisk (\*) indicates that you must

1) ENTER your projected date of retirement

2) SELECT your age on your projected date of retirement

3) Are you a military veteran?

4) Are you participating in RetirementPlus?

5) ENTER your estimated total number of creditable service, including any past service, as of your projected date of retirement

6) If you have any past creditable service, you may be eligible to purchase, enter total number of years of service you wish to purchase (for example, 1.5, 8.0) ...

7) ENTER your estimated three-year average salary on your date of retirement

OPTIONAL: If you are interested in estimating your benefits under Option C, please SELECT the factor for your age and your beneficiary's age on your date of retirement. (Note: Your Option C beneficiary must be your spouse, child, sibling, parent or former spouse who has not remarried.)

Step 4: Review your estimates

REMEMBER: If your total years of creditable service on your projected date of retirement is LESS than 20 years, please remember that, in order to be eligible to retire with LESS than 20 years of service, you must be at least age 55 and you must have at least 10 years of creditable service.

		Estimate as of retirement date 06/30/2008	
		WITHOUT creditable service, if any	WITH creditable service of 5.2 years
Option A	Your retirement age factor	0.020	0.020
x	Years of creditable service	35.0	40.2
	% of salary average	70.00%	80.40%
+	RetirementPlus %, if applicable	22.00%	32.00%
	Allowable % of salary average	80.00%	80.00%
x	3-year salary average	\$88,000	\$88,000
	Option A annual allowance	\$54,400	\$54,400
+	Veteran's bonus	\$0	\$0
	Estimated Option A annual allowance	\$54,400	\$54,400
Option B	Estimated Option A annual allowance	\$54,400	\$54,400
x	99% (approx. 1% less than Option A)	99%	99%
	Estimated Option B annual allowance	\$53,856	\$53,856
Option C	Option A annual allowance	\$54,400	\$54,400
x	Option C factor	0.8858	0.8858
	Option C annual allowance	\$47,100	\$47,100
+	Veteran's bonus	\$0	\$0
	Estimated Option C annual allowance	\$47,100	\$47,100
x	2/3 (annual survivor portion)	2/3	2/3
	Estimated annual member-survivor benefit	\$31,401	\$31,401

Print

Go back to Step 3 to do new estimate (Reset) | Go to retirement application process (Link to MTRS web site)

October 26, 2007



**...Review** the common Q&A—it's likely that you'll see your questions asked and answered here



## ...Download the Retirement Application




The screenshot shows a web browser window with the address bar displaying <http://www.mass.gov/mtrs/2members/20active/step2.htm>. The page title is "Retiring from the MTRS: Regular and RetirementPlus: Step 2". The website header includes "The Official Website of the Massachusetts Teachers' Retirement System (MTRS)" and the "Mass.Gov" logo. Navigation links for "Mass.Gov Home", "State Agencies", and "State Online Services" are present. The main content area features the MTRS logo and the text "MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM". A breadcrumb trail reads: [Home](#) > [Retiring from the MTRS](#) > [Estimate your benefits](#) > [Step 1](#) > [Step 2](#). The section title is "Retiring from the MTRS: Regular and RetirementPlus Step 2: Access and complete your Retirement Application". The text explains that this is the last step in the application process and that users should be willing to devote effort to completing the application accurately. It notes that users will access and print a 19-page Retirement Application. A list of instructions follows:

- You must print the application, sign it, and send it to the MTRS. Your application may not be submitted online or via e-mail.
- The first page contains instructions on how to complete and send us your application. The second page contains the retirement process timeline and document checklist. The third and fourth pages contain our benefit estimate worksheet. Please keep these four pages for your reference.
- **YOU** must complete Part 1 (pages 1 through 10), as well as Section 1 of Part 2.
- Your **PAYROLL OFFICER** must complete Part 2, which is five pages. At the same time that you are completing Part 1, you should give Part 2 to your payroll officer for him or her to complete and return to you.
- **YOU** are responsible for gathering your required documentation and for submitting your completed application—Parts 1 AND 2—to us at the same time.
- You should send us your completed application three to four months **BEFORE** your date of retirement.
- After you have submitted your completed application, we will review and process it. If we have any questions or need any additional information, we will contact you.

The date "Wednesday 10/20/2010" is displayed in the bottom left corner of the page.




# Step 2: Complete the application





MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM

## Retirement Application

*For superannuation (regular or RetirementPlus) and involuntary termination retirement benefits*

- 1) REVIEW and COMPLETE** this entire **TWO-PART** application.  
Note that YOU have to complete Part 1, Sections 1 through 9, as well as Part 2, Section 1, and YOUR PAYROLL OFFICER has to complete Part 2, Sections 2 through 6.
- 2) INVEST** some time in understanding your retirement benefit options, as described in the information and worksheet included on pages iii and iv, as well as reviewing the information you provide in your application for accuracy and completeness. Please read all instructions, and your responses, very carefully. **This is your application for retirement; it is a very important document.** If it is incomplete, processing will be delayed; accordingly, be sure to review each section to ensure that all required information has been provided. Please do not delete any pages, and, if you complete your form by hand, please print your responses legibly, in ink.
- 3) SIGN** your application as required. (Not signing in ALL places is a common error and causes delays—please check your application carefully!) Remember to **sign** your application in **SIX** places—on pages 3, 6, 7, 8, 9 and 10 (if applicable). If applicable, your spouse and a witness must also sign page 9.
- 4) ATTACH** all of your required documents.  
The  icon means that the document listed in the margin **must** be provided in order for us to process your application. For your convenience, a timeline and document checklist is provided on the next page; please be sure to use it to avoid delays in processing your application.  
**⚠ IMPORTANT: Make a photocopy of all pages and attachments for your records.**
- 5) FILE** your application in a timely manner: three to four months before your date of retirement, and **no earlier** than four months in advance.  
**⚠ If you file your application more than 60 days after your date of separation from service, your retirement date—and your benefits—will NOT be retroactive to your resignation date.** In this case, the earliest effective date of retirement you may use will be 15 days after the date we receive your signed application. For example, if you decide during summer vacation that you want to retire instead of returning to the classroom in the fall, you must file your completed application on or before August 29 to use June 30 as your retirement date and have your benefits be retroactive to June 30. If you file your application on August 30, your earliest retirement date would be September 14, and you would lose two and a half months' worth of retirement benefits (from July 1 through September 14).  
**⚠ If you are retiring on your birthday, use that exact day as your date of retirement, not the day after.**
- 6) SEND** your materials to EITHER our main office OR our Western Regional office:
 

<b>Middlesex, Essex, Norfolk, Bristol, Plymouth, Barnstable, Dukes, Nantucket and Suffolk</b> (charter schools only) counties <b>Berkshire, Franklin, Hampshire, Hampden and Worcester counties</b>	 Retirement Application Processing Unit Massachusetts Teachers' Retirement System One Charles Park Cambridge, MA 02142-1206  Retirement Application Processing Unit Massachusetts Teachers' Retirement System 101 State Street, Suite 210 Springfield, MA 01103-2066
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We will not begin processing your benefit calculation until we receive your signed and complete retirement application. If your application is incomplete, we will contact you and this may delay processing. If you have any questions about the retirement process or any of this material, please don't hesitate to contact us. We look forward to serving you in your retirement!

Form F0001-RAP-07272010

**MAIN OFFICE**  
One Charles Park  
Cambridge, MA 02142-1206  
Phone: 617-679-MTRS (6877)  
Fax: 617-679-1661

**WESTERN REGIONAL OFFICE**  
101 State Street, Suite 210  
Springfield, MA 01103-2066  
Phone: 413-784-1711  
Fax: 413-784-1707

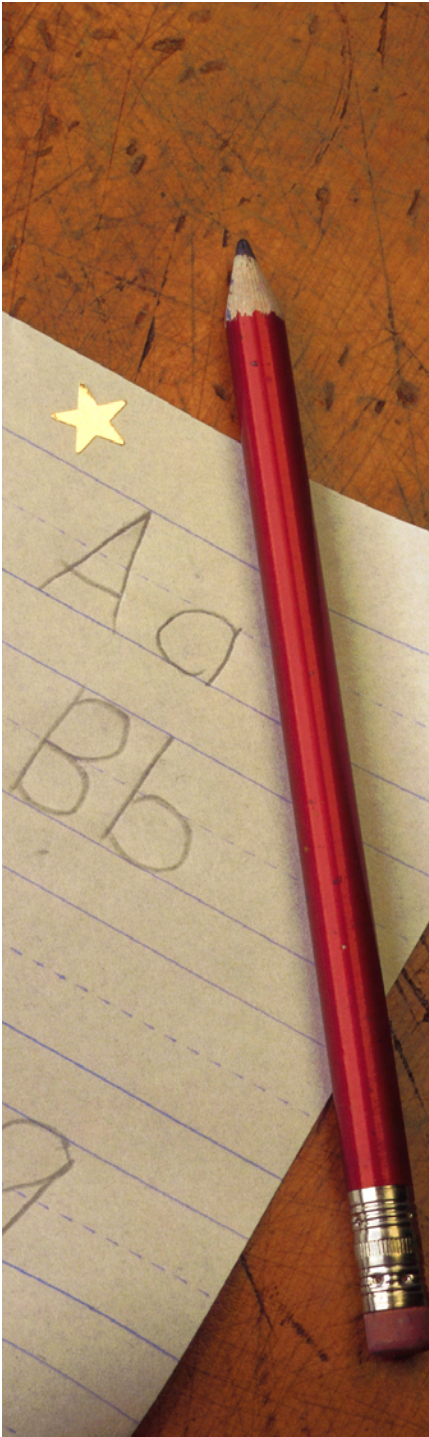
**ONLINE**  
mass.gov/mtrs

**MTRS**  
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM

- Interactive pdf format
- Complete onscreen in part or full, or print and complete by hand

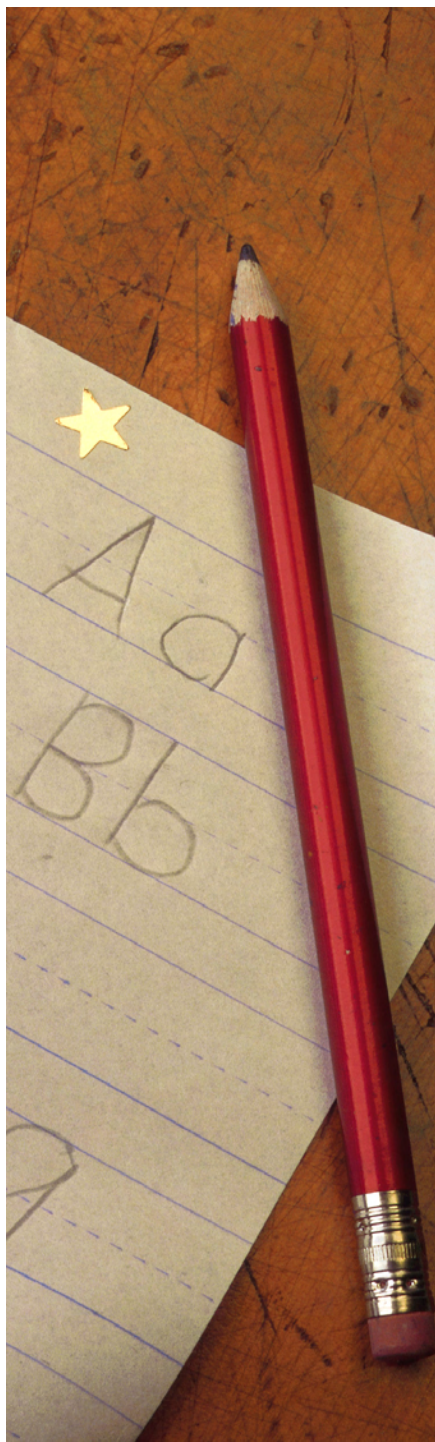
## Step 3: Submit the application

- **Receive** completed Part 2 from payroll official
- **Attach ALL** required documents
- **Make** a copy of everything for your records
- **Submit BOTH** Part 1 and Part 2 together to the MTRS (eastern MA, Cambridge office; western MA, Springfield office)
- MTRS will review your application and send you a letter to acknowledge it as received, and either **complete** or **incomplete**, with a request for the missing documentation



## **Step 4: Receive your *Notice of Estimated Benefits***

- Applications processed on a “first-come, first-served” basis
- We may need to contact your school department for additional information; we will notify you if this causes a delay
- Please note: Calculations may take up to four months to complete
- Once your benefit calculation is complete, your *Notice of Estimated Retirement Benefits* letter will be sent to you





## Step 5: Receive your first retirement payment!

- Regardless of when your first payment is issued, all payments are **retroactive** to your date of retirement  
(provided you have filed your application *before* your date of retirement or *within 60 days after* your date of separation from service)
- Note that even though you must receive your payments via direct deposit, your first payment **may** be sent via US mail  
(only when standard testing of the electronic funds transfer process with your bank cannot be completed before our monthly payment processing date)





## **A note about direct deposit...**

(also known as Electronic Funds Transfer)



- Direct deposit of your retirement allowance is now mandatory
- Your monthly retirement allowance is transferred to your bank account on the last business day of each month
- You will only receive a monthly statement...
  - when there is a change to the amount of your retirement allowance
  - when the MTRS needs to notify all retirees of an announcement
  - every December (year-end summary)



## Part 3: Other retirement issues

### True or false...?

**After I retire, I can go back to work with my school district or other Massachusetts employer without any restrictions.**

**False!**

**As an MTRS retiree, you will be subject to time and earnings restrictions if you are re-employed by a Massachusetts public employer.**

There are, however, no restrictions if you are re-employed: in the private sector; as a public employee in another state; or with the federal government.

- Your retirement allowance is **not** subject to Massachusetts state income tax
- Your retirement allowance is federally taxable
- Many of you will have slightly reduced “taxable” earnings each year because of “post-tax” dollars in your annuity savings account at the time of your retirement
- If you intend to move out of state, check with the Department of Revenue in that state to determine if your retirement allowance is subject to state income tax

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- If you intend to move out of state, check with the Department of Revenue in that state to determine if your retirement allowance is subject to state income tax

- By January 31st of each year, we will mail you a **1099-R** tax form (the retiree version of your W-2 form)
- Gross earnings and taxable earnings will be detailed on the 1099-R
- You are also required to provide proof that you remain eligible (i.e., alive) to receive your retirement allowance
- At least once every two years, the MTRS will send you a **Benefit Verification Form** to prevent pension fraud and ensure your benefits are being paid to the rightful and living recipient; your notarized signature is required



## Post-retirement employment

There are **no limits** on the following:

- Employment in the private sector
- Employment in another state—public or private
- Employment within the federal government
- Volunteering





## Post-retirement employment

General time and earnings limitations on re-employment in the **Massachusetts public sector...**

- **If returning to same employer from which you retired:** Must be separated from service for 60 days before returning (waived if retiring at age 65 or at 80% maximum benefit)
- **Time:** Service cannot exceed **960 hours** in a calendar year
- **Earnings:** Post-retirement earnings **cannot exceed** the difference between the current salary of the position from which you retired, and the amount of your annual pension



## Post-retirement employment

### An example of earnings restrictions

Mary Educator retires June 30, 2011 from a position that paid \$63,000 per year

School year 2011–12 salary for Mary's former position*	\$65,000
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– Mary's annual gross MTRS pension	– \$45,000
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Mary's allowable earnings for the rest of calendar year 2011	\$20,000
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\* "Salary" includes earnings such as regular longevity, coaching and contracted stipends. It does not include annuity/insurance premiums or other fringe benefits.

## Post-retirement employment

Different rules in the event of an ESE-approved “critical shortage”:

- RetirementPlus retirees must wait two years to be eligible
- School district must contact the ESE to obtain a one-year “waiver” for a specific position
- If above are met, the retiree may work without earnings limitation for the duration of the critical shortage “waiver”







## Post-retirement employment

### Additional precautions...

- Service rendered as a “consultant” or a “leased employee” to a MA public school or agency **is** subject to the service and earnings restrictions
- You may elect to waive or “freeze” your benefit if you are approaching your earnings or service limits
- If you exceed the allowable limits, the MTRS or your employer must recover all excess earnings from you

## **Social Security: Two “double-dipping” laws**

If you are eligible for Social Security benefits based on your...

### ■ **Own employment earnings:**

Windfall Elimination Provision (WEP)

- Exempt from WEP if you were eligible to retire from the MTRS prior to 1/1/86

### ■ **Spouse’s employment earnings:**

Government Pension Offset (GPO)

- Exempt from GPO if you were eligible to retire prior to 12/1/82

See our handout, *Social Security and the MTRS member*



## Social Security

- Even if you are subject to the WEP or GPO, you may still qualify for Medicare either on your own or through your spouse
- For more information, please visit **[www.medicare.gov](http://www.medicare.gov)**



## Cost-of-Living Adjustments

- **Eligibility:** MA public retirees are eligible for COLAs after one full fiscal year of retirement (the fiscal year is July–June)
- **Granted by Legislature:** As part of the annual budget process, a COLA is subject to approval by vote of the MA Legislature
- **Amount:** Currently, 3% or the CPI, whichever is less, on the first \$12,000 of your retirement allowance, for a maximum increase of \$360 per year





Thank you for attending today—  
we hope you're now

**Ready for Retirement!**

For more information...

- **[www.mass.gov/mtrs](http://www.mass.gov/mtrs)**
- Cambridge: 617-679-6877
- Springfield: 413-784-1711

**Q&A**